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ECONOMIC RESEARCH SERVICE # USDA # WASHINGTON, D.C. AOD-109 SEPT. 1965

Pig prices to stay strong...More fresh vegetables...Cigarette use put at record high

Hog producers are apparently beginning to move into the expansion phase of production in response to price strength in past months.

The number of sows farrowing in June-August 1965 was down 10 percent from a year earlier, but the number intended for farrowing in September-November is down only 5 percent. Moreover, producers stated intentions as of September 1 to farrow the same number as a year earlier during December 1965-February 1966.

However, even though farrowings may regain last year's level by this winter, hog slaughter will likely continue below year-earlier levels at least into early fall of 1966, indicating sustained price strength.

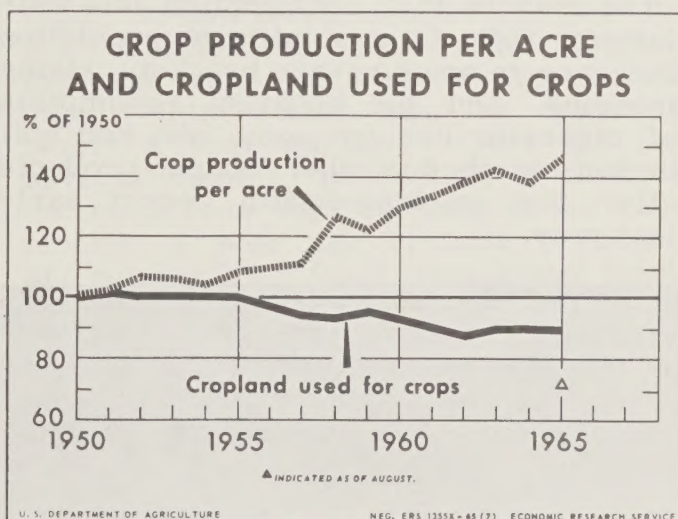
Prospective price strength for hogs and abundant feed will likely encourage some increase in production in the coming year. A modest expansion would result in moderate price declines in late 1966. This is the most likely prospect for next year.

An excessive buildup in hog production in 1966 would lead to sharply reduced prices and incomes to hog producers by the closing months of 1966. The greater danger is that the impact of overexpansion would result in depressed prices in 1967.

Hog prices were at high levels through the summer. Barrows and gilts at 8

markets averaged \$24.67 per 100 pounds in August, more than \$7 above a year earlier. Prices declined somewhat in September, but the margin over a year earlier still exceeded \$6. This price strength reflects considerably reduced slaughter supplies of hogs, less fed beef, and higher consumer incomes.

A price decline from summer levels is expected this fall because of seasonally increasing supplies. However, October-December hog prices will likely be substantially above the \$15.12 average (barrows and gilts, 8 markets) a year earlier. Expected stability in cattle prices in coming months, smaller cold storage



A persistent upsurge in yields the past decade pushed total crop output to record highs in 1958, 1960, and 1963 despite general acreage declines. Resumption of the yield uptrend, after a pause in 1964, virtually assures a new record high in crop production this year.

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holdings of pork, and a strong general economy will lend support to hog prices. On the other hand, larger broiler supplies will be a dampening factor.

The December 1964-May 1965 pig crop -- source of slaughter hogs during the second half of 1965 -- was down 10 percent from a year earlier. Hog slaughter this summer averaged about 6 to 8 percent below 1964, and it is likely to continue below through the rest of this year. Slaughter rates toward the end of the year likely will be off more from 1964 levels than those early this fall. Numbers of hogs weighing more than 180 pounds on September 1 in 10 Corn Belt States were down a little less than 6 percent from a year earlier; numbers of lighter hogs were down more than 13 percent.

Cigarette output this year is put at a record 565 billion, up 25 billion from 1964.

U.S. smokers will likely account for 536 billion cigarettes -- also a record -- for a 5 percent gain from last year. Exports will account for most of the remaining output.

The gain in U.S. consumption this year largely reflects a significant population increase in smoking-age brackets, rising incomes, and the apparent resumption of cigarette use by some who had quit or had switched to other tobacco products after the smoking-health report early last year.

The September crop report put 1965 production at a record-high 117 percent of the 1957-59 average. All commodity groups except sugar crops, cotton, and tobacco showed increases over a year earlier:

Group	1965 (1957-59=100)	1964
Feed grains	113	97
Hay and Forage	108	105
Food grains	120	114
Vegetables	110	106
Sugar crops	147	155
Cotton	122	124
Tobacco	116	129
Oil crops	156	116

Cigarette smoking per capita (18 years and older) this year is also likely to be above 1964. The figure, estimated at 216 packs, represents a 3 percent rise from 1964, but is slightly below the 1963 record.

Milk cow numbers are continuing to decline. The decrease for the year ended in June is put at 3.2 percent, based on June 1 count of 15.6 million. The percentage decline is sharper than the average of 2.9 percent for last year and the past decade.

The decrease is related to the continuing decline in the number of farms keeping milk cows. Gains in livestock prices during the past year encouraged the sale of dairy stock. Also, poor dairy pasture and forage conditions in many areas during the past 3 years contributed to the decline this year.

Pronounced shifts from dairying have been occurring for a number of years in the Midwest, where conditions have been generally favorable for grain and livestock production. Midwestern dairy farmers, more readily than in other areas, shift to these alternatives when milk prices decline in relation to the other products.

In the Northeast, fewer farm alternatives to dairying have tended to limit declines in milk cow numbers in past years. This year, however, continued drought and higher production costs have encouraged faster declines.

In the Lake States, also with limited alternatives, dairy prices have improved more than in other areas; increased population has enabled producers to sell more of their milk for use in higher-valued products.

The rice supply (rough basis) for 1965-66, based on September estimates, stands at nearly 85 million hundredweight, equaling the record-large supply of 1956-57.

Exports last year again exceeded domestic use, with dollar exports increasing sharply to 25 million cwt. In 1965-66, total exports probably will slightly exceed the record 42.5 million cwt. of a year earlier.

and dollar exports may again predominate. This, along with a continuation of the slight uptrend in domestic use of rice for food, will hold carryover stocks in 1966 near the level of recent years. In August 1965, the beginning of the current marketing year, the carryover -- mostly in private hands -- totaled 7.7 million cwt., about average for the past few years.

Another large crop and an expected small gain in utilization indicate that the carryover of upland cotton on August 1, 1966, may reach a record-high 15.7 million bales, up from 14.0 million bales this past August. The previous high was 14.4 million bales in 1956.

Upland cotton disappearance (mill consumption plus exports) during the 1965-66 crop year is estimated at 13.5 million bales, up from 13.1 million in 1964-65. The 1965 crop is expected to total 15.0 million bales as of September 1, same as the 1964 crop.

The soybean crop as of September 1 was estimated at 867 million bushels, 24 percent above the 1964 and 1963 levels. Soybean acreage to be harvested for beans is up 13 percent and yield prospects, at 25.0 bushels per acre, compare with 22.8 bushels in 1964. A crop this size would bring the total supply in the 1965-66 marketing year to an estimated 897 million bushels, 17 percent above a year earlier.

Prices to soybean producers during the heavy harvesting season this fall likely will be close to the national support rate of \$2.25 per bushel, unchanged from the 1964 rate. With the big crop, large quantities will likely be placed under the CCC price support program. With the anticipated early movement of some new-crop soybeans, prices (No. 1 yellow, Chicago) dropped from \$2.75 per bushel in August 1965 to \$2.59 in mid-September. However, prices in late September were rising temporarily because of harvest delays caused by heavy rains.

Soybean crushings and exports in 1965-66 are expected to set new records, rising by around 10 percent from the 690 million bushels estimated for 1964-65.

U.S. agricultural imports for consumption totaled \$3,988 million in fiscal 1964-65, down 3 percent from a year earlier. There were smaller purchases of both supplementary (partially competitive) and complementary (noncompetitive) products.

Declines in complementary products occurred in both volume and value for coffee, tea, silk, unmanufactured fibers, and carpet wool.

The decrease in value of supplementary imports reflected reductions for beef and veal, sugar, and cotton. The decline in value of sugar represented lower prices, since the quantity increased slightly.

A significant decline in meat imports reflected a shift in the pattern of world meat trade. European demand for beef and veal increased greatly because of reduced production and rising incomes there. Argentina had less meat to export to Europe. U.S. meat imports from Australia and New Zealand were considerably below a year earlier, as these countries shifted more of their exports to European markets.

Egg prices to producers have recovered from the low levels earlier this year and are expected to show some seasonal increase this fall and be appreciably higher this winter than the depressed levels a year earlier. Over the next several months, production is likely to increase less rapidly than in the same months a year ago because producers are raising fewer flock replacement chickens than in 1964.

Prices to producers averaged 30.7 cents a dozen in the first quarter of 1965, 5.5 cents below a year earlier for the lowest first quarter average since World War II. This was largely the result of a sharp upsurge in the winter rate of lay. Resisting the usual winter-to-spring decline, prices remained at this level in the second quarter and averaged about the same as the year before.

Since then, prices have been a little under the 1964 level. The August price was 34.0 cents a dozen, up from the seasonal low of 29.4 cents in May but still 0.8 cent under a year earlier.

The feed grain supply for 1965-66 is now estimated at 215 million tons, 9 million more than last year, but 7 million below the 1959-63 average. This includes the record feed grain production, estimated in September at 160 million tons, 23 million more than last year's short crop. The prospective larger crop more than offsets the reduction of around 14 million tons in beginning stocks.

Domestic use probably will increase in the 1965-66 feeding year. Larger 1965 crops and relatively lower prices are expected to result in heavier feeding. Exports have been trending upward in recent years, reaching a record high of about 21 million tons this year, and probably will increase further in 1965-66. This year's record crop, however, is expected to exceed total requirements, resulting in some increase in carryover stocks at the close of the 1965-66 marketing year.

Most fresh vegetable supplies are expected to be larger this fall than last as a result of a little more acreage and much higher yields. Growing conditions have been particularly favorable for the hardier items, such as cabbage, carrots, and celery; and early-fall output is up materially. High yields also were realized for the late-summer onion crop, which furnishes supplies through the fall and winter. Production is substantially above last year and record large.

The only major items in smaller supply are tomatoes and lettuce -- both down from a year ago due to less acreage in California, the leading supply source dur-

ing October.

Total processing vegetable tonnage is moderately larger this year than in 1964, and total packs of both canned and frozen vegetables likely will be up. Because of a relatively light carryover, however, aggregate canned supplies in the 1965-66 marketing season are expected to be about the same as a year earlier.

Total frozen supplies likely will be larger than a year earlier because of prospective record-large packs of green peas, snap beans, and sweet corn. Cold storage holdings of spinach, broccoli, and cauliflower are down both from a year ago and average, reflecting adverse weather during the first half of 1965.

Potato supplies are heavy. As of September 1, fall-crop production was indicated at a record-large 209 million hundredweight, up 22 percent from the low level in 1964. Output in the East is only a little above last year, but larger crops are expected in other areas. Midwestern output is up a fourth, mainly due to increases in Michigan, Wisconsin, and the Red River Valley of Minnesota-North Dakota. Western production is up 39 percent; although Idaho accounted for most of this gain, other Western States also reported considerably larger crops.

After dropping sharply for over a month, potato prices tended to stabilize during the first half of September, as movement into storage picked up. Prices at mid-month were sharply below a year earlier but moderately above average.

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